Item 9

Pros and Cons of Including the possibility of using Advanced Meters to Record Gas Usage within the current Dynamic Pricing proceeding (R02-06-001)
(prepared by CEC staff; 8/16/02)

A. Description of Issue and known Parties' positions

PG&E requested in its pre-hearing statement that the Commissions "expand the scope of the proceeding to include gas metering infrastructure". PG&E argues that advanced metering is likely to be more cost effective when the deployment is structured to capture customer, utility and social savings. They report that "for PG&E, savings will be greater, if both gas and electricity meters are replaced."

California Consumer Empowerment Alliance supports PG&E's position. SDG&E opposes including these issues because of concerns that the schedule and scope are already too aggressive. However if the Commission chooses to include this issue, the inquiry be limited to dual fuel utilities where real cost savings are possible. No other party has taken a written position on this issue although some parties have orally expressed a desire to consider the issue for dual fuel utilities within the working group process.

B. Pros of including this issue within Rulemaking

1. If advanced meters are to be installed for any particular class of customers, it makes sense to install meters with the capability to provide usage data and communications capability at one time for both energy forms rather than installing one meter now and potentially another gas meter later at additional expense.
2. The operational savings achieved by offering the capability of remote meter readings would presumably be increased by reducing the costs of on site metering for gas usage and electricity usage with one network device. Additional safety benefits may also accrue with devices equipped to shut down gas lines in the event of catastrophes and relay outage information to service providers.
3. The economies of scale achieved by having one meter collecting energy usage data and communicating with on dual fuel utilities may be significant.
4. There may be benefits associated with sending large or small customers more up to date information on marginal gas costs or prices.

C. Cons of including natural gas infrastructure issues within Rulemaking

1. The economics of installing meters with dual fuel capabilities are not well known and thus could lead to delays in the current tight schedule if additional data collection related to the costs of duel fuel capability meters is necessary.

2. The need for establishing dynamic tariffs for gas usage and the infrastructure to support them of simply upgrading the gas metering infrastructure without developing new tariffs has not been fully discussed or analyzed in California.

3. The revenue requirement and ownership issues arising from the potential for single fuel utilities such as SCE to install meters that could offer gas meter reads to So Cal Gas (or vice versa) may lead to delays within this proceeding.

D. Recommendation-

The Commission would be well served by gathering more facts in this area and not foreclosing its options at this time. Policy Group 1 should direct both working groups to investigate this issue and provide recommendations on whether companies should have the option of installing meters with dual fuel reading capabilities. This analysis should quantify the potential costs and benefits of including meters with the capability of reading and communicating both electricity and natural gas usage to the distribution utility within their final report. At this time, we do suggest that the Commission limit the inquiry to the possibility of installing advanced meters to customers who receive both electric and gas service from dual fuel utilities to avoid the jurisdictional issues likely to arise between single fuel electric and natural gas utilities. Thus this "infrastructure" issue would be limited to customers within the PG&E and SDG&E service territories.